



# Continuing Education



## Long-term care: Perspectives Long-Term Care • Part 3

### Learning Objectives

**Describe** the role of the Medicaid program in funding long-term care.

**Describe** the role of Medicare in funding long-term care.

**Explain** common types of private long-term care insurance.

**Describe** strategies for approaching long-term care customers.

**Identify** important long-term care decision-makers and their priorities.

This final article in a three-part series discusses long-term care funding sources and selling in the long-term care environment. Topics covered include Medicaid, Medicare and private long-term care insurance. Strategies for approaching long-term care customers are also examined, along with a look at long-term care decision-makers and their priorities.

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**H**ealthcare representatives must understand the long-term care environment in terms of its funding sources and the differing interests of its stakeholders.

No single structure or organization is in place to assist individuals in paying for long-term care. Costs are high – nursing home care in some states costs more than \$100,000 a year, while home healthcare rates can reach \$18 per hour or more.

The Medicaid program is the major source of public funding for long-term care facilities. It is a federal program administered at the state level using federal and state funds. Individual states have flexibility to develop their own Medicaid programs and may vary in their coverage of services.

Medicaid is intended to provide services only for impoverished and severely disabled individuals and has very strict financial requirements for eligibility. Federal and state guidelines have become stricter in recent years, making it more difficult for individuals to become eligible for Medicaid coverage. The federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) makes it illegal to knowingly dispose of assets in order to become eligible for Medicaid.

Medicaid reimbursement to facilities is prospective (rates are set in advance of care), and may take the following forms:

- Class methods – a flat rate is set for groups of facilities.
- Facility-specific methods – rates are set for each facility based on historical costs and other factors.
- Adjusted methods – reimbursement can be adjusted upward as costs for care increase.
- Combination systems or case mix methods – a variety of methods are used to determine reimbursement rates.

The most significant trend seen in Medicaid delivery in recent years has been an increase in the number of Medicaid recipients enrolled in some type of managed care plan. Within these arrangements, patients may be required to pay a nominal deductible, copayment or coinsurance.

State Medicaid programs have initiated a variety of strategies to control costs, and these extend to coverage for prescription medications. Some state Medicaid-funded institutions have tightly controlled formularies. However, in some states, if a patient needs a drug that is not on the managed care formulary, that patient can still obtain the requested drug.

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## Medicare

Medicare is a health insurance program for people 65 years of age and older and certain disabled people. It is not intended to provide significant coverage for long-term care. The majority of those who receive institutional care in a long-term care facility under the Medicare program are individuals discharged from hospitals who require short-term follow-up care to complete their recovery. Medicare coverage is limited to a maximum of 100 days of institutional care per year per episode, and eligibility criteria are strict.

Medicare Part D refers to the newly created outpatient prescription drug benefit provided for under the Medicare Modernization Act, or MMA. The goals of the MMA are to provide a prescription drug benefit that responds to the needs of beneficiaries while helping to contain costs and increase access to prescription drugs for seniors and Medicare enrollees who have disabilities. The regulations also aim to foster competition in the long-term care pharmacy market to allow for price negotiation.

Approximately 70% of long-term care residents are eligible for both Medicare and Medicaid. Medicaid has historically been the largest single payer for prescription drugs and dispensing fees for long-term care pharmacies, but this is changing since implementation of the MMA. Payments from Medicare Part D plans are replacing Medicaid payments for drugs (without any out-of-pocket costs) for beneficiaries who are eligible for both programs.

It is important to note that under Medicare Part D, assisted living facilities are not considered long-term care facilities. Assisted living residents incur prescription copays and monthly premium costs similar to other Medicare beneficiaries residing in the community. Some assisted living residents qualify for additional federal assistance to defray these expenses.

## Private LTC insurance

Currently, the most common sources of private long-term care insurance include the following:

**Medigap insurance.** Medigap is a type of private insurance held by many retired persons to provide supplemental coverage for services not reimbursed through the Medicare program. However, in most cases, the Medicare supplemental insurance only covers Medicare copayments and acute care that is not covered by the Medicare program. At most, these plans pay the Medicare copayment for nursing facility care for a limited time and may pay for some limited home care. Typically, individuals must meet Medicare eligibility requirements for long-term care to be eligible for Medigap coverage.

**Long-term care insurance.** This is an option for individuals who want coverage for care in the event

that they develop chronic illnesses or disabilities that make it difficult or impossible to take care of themselves. Although the number of people in their 50s and 60s purchasing long-term care insurance is increasing, less than 10% of adults in the United States are covered by such policies. This type of insurance is too costly for many. Premiums depend upon age, existing medical conditions and other factors. Reimbursement is usually on a fixed-rate, per day basis, and the recipient can typically use this money for any type of long-term service from nursing home payments to home healthcare or housekeeping services.

**Managed care organizations.** Private MCOs are increasingly providing a long-term care component in their healthcare agreements. They may contract with acute care providers such as physician groups and acute care hospitals, as well as with nursing facilities, long-term care hospitals, and home healthcare agencies to provide a full range of patient services. Payment for such services is negotiated in a variety of ways, including discounted fee for service, per diem, per case, and capitation, although per diem is most common. In addition, many MCOs recognize the economic savings of hospice care and offer coverage to individuals using these services.

# The most **significant** trend in Medicaid delivery is the **increased number** of recipients in managed care plans.

## Approaching the customer

The growth of the long-term care market, combined with the implementation of the MMA, is expected to result in a greater demand for pharmaceutical products. The MMA has the greatest impact on products that treat chronic conditions. Against this backdrop, successful representatives must understand the variations in the market and their implications for sales.

Sources of information about long-term care facilities and services within your territory include physicians who treat geriatric and chronically ill patients, such as those with specialties in Alzheimer's disease, cardiology, oncology, and rheumatology. There are many other sources of information. Acute care hospital pharmacists and affiliated physicians will know where patients are referred for long-term care following discharge. Community-based pharmacists may fill prescriptions for home healthcare agencies, residential care facilities and independent nursing facilities. Local councils on aging, senior centers and other agencies that specifically cater to the elderly will

often be knowledgeable about both community-based long-term care services and institutions within their communities.

Care management programs that are often run through local Health Departments and Departments of Social Services may provide you with a listing of agencies and institutions. The Veterans Administration (VA) provides long-term care facilities and services throughout the United States, and the local VA can be a source of information. Finally, the Internet, specifically those sites focused on elder care, can provide site location directories.

Healthcare representatives will be valued for providing the following services to customers:

- Consultations about complicated patients who require simplified dosing and administration or who need drugs that will not interact with other medications.
- Monitoring systems to enhance patient compliance.
- Drug use review assistance.
- A clear understanding of Medicaid and Medicare policies and guidelines for reimbursement.
- Pharmacoeconomic data that provide information on both direct and indirect costs of therapy.
- Ongoing information to facilitate understanding of and compliance with the MMA and HIPAA regulations.
- Ongoing medical education.

Not all long-term care facilities will provide opportunities for all healthcare representatives. For example, nursing facilities may present an excellent opportunity for sales of medications that treat chronic conditions such as arthritis, diabetes and Alzheimer's disease. These facilities may also be heavy users of ancillary medical supplies, such as nutritional supplements, catheter equipment, durable medical equipment and bandages. However, when approaching home healthcare agencies and adult day care programs, it will be important to determine if they provide significant medical care to their clients or if they primarily provide housekeeping and meal assistance.

### LTC decision makers

The individuals responsible for making decisions about purchasing products will vary depending on the facility and, especially, who owns the facility. In cases where the facility or service is owned by a corporation or an MCO, the decision making may be centralized – internal pharmacy departments may provide pharmaceutical products for all facilities within the chain, and a corporate medical director may be the key decision maker about all pharmaceutical purchases.

For services and facilities individually owned or owned by a nonprofit group, an administrator (such as the medical director) at a nursing facility or the head nurse at a home healthcare agency may be

## Article Summary

- **The Medicaid program is the major source of public funding for long-term care facilities.**
  - Medicaid is intended to provide services only for impoverished and severely disabled individuals, and has very strict financial requirements for eligibility.
- **Medicare is a health insurance program for people 65 years of age and older and certain disabled people. It is not intended to provide significant coverage for long-term care.**
- **Currently, the most common sources of private long-term care insurance include Medigap insurance, long-term care insurance and managed care organizations.**
- **There are a number of sources of information about long-term care facilities and services within the community.**
  - In approaching customers at these facilities, a healthcare representative can provide valuable services.
- **The individuals responsible for making decisions about purchasing products will vary depending on the facility and, especially, who owns the facility.**
  - Nurses and pharmacists remain vital contacts within the long-term care community.

excellent persons to approach with inquiries about getting a drug on the formulary. Attending physicians may also have influence on what drugs should be included on the formulary.

In approaching long-term care facilities in particular, it is important to find out if the facility or agency has a pharmacist on staff or if this function is contracted out to a consultant pharmacist. Consultant pharmacists are likely to know how a facility obtains its pharmaceutical products – whether through drug wholesalers, direct purchasing from manufacturers, contractual arrangements, etc.

Pharmacists that serve long-term care facilities will be interested in the availability of medications in unit doses, assistance with keeping patient medication records and billing services, and the ability to deliver medical supplies and provide pharmacy consulting services. Consultant pharmacists may be interested in disease management programs that can aid them in determining direct and indirect costs of treatment.

Nurses are also vital contacts within the long-term care community. The most influential ones are those who have the most responsibility for overall patient care, particularly the director of nursing and registered nurses. Nurses will be particularly interested in aspects of drugs that decrease their workload and contribute to their patients' overall quality of life. For example, drugs with simple dosing and administration guidelines, drugs with few adverse events or drugs that do not interact with a wide range of other medications may be of particular interest to this group.

Another influence on decision-making is formulary structure. In the past, three types of formularies were associated with long-term care:

- Preferred drug lists (PDLs), established by most states.
- Long-term care pharmacy provider (LTCPP) formularies.
- Third-party payer formularies.

With the implementation of the MMA, an additional type of formulary is gaining increasing importance: prescription drug plan (PDP) formularies.

The next series of articles will focus on pain management.